Knowledge Network Corporation

2014/15
ANNUAL SERVICE PLAN REPORT

For more information on the Knowledge Network Corporation contact:

4355 Mathissi Place
Burnaby, B.C. Canada
V5G 4S8
Phone: 604.431.2222 Toll Free: 1.877.456.6988
Email: info@knowledge.ca

or visit us online at

Knowledge.ca

KnowledgeKids.ca

BRITISH COLUMBIA'S | **Knowledge** Network:

Board Chair's Message and Accountability Statement

On behalf of Knowledge Network Corporation's Board of Directors, I am pleased to submit our 2014/15 Annual Report.

Our role as British Columbia's public broadcaster is to inform, educate and broaden awareness by exploring the world from provincial and global perspectives. In 2015, we launched the **Birth of Modern China**, a 27 week examination of key events of the 20th century. China's economic revolution has had a major impact in B.C. and around the world, and this series provided British Columbians a greater understanding of Asian culture, trade and economy.

Our commissioned B.C. documentary **Just Eat It**, had its world premiere on Knowledge Network in 2014. The award winning film has received recognition across Canada and internationally for mobilizing people to change behaviours in everyday life to reduce food waste. The filmmakers are producing educational versions of the film for K-12 classroom use.

British Columbia's independent producers are key partners in the creation of our original content, including programs for our youngest viewers. Knowledge Network was the commissioning broadcaster in Canada for two original kids' series produced in Vancouver. **Kate & Mim Mim** and **Lah-Lah's Adventures** had their world premieres on Knowledge Network in September 2014. Our investment leveraged significant additional funding to support these projects that are now available across Canada and distributed internationally.

In summer 2014 we launched the third generation website, **Knowledge.ca**, introducing new personalization features, interactive content and expanded video on demand. As a result, we have seen a substantial increase in audiences consuming content online.

As BC's public broadcaster, we are proud of our growing support from loyal donors across the province. In fiscal 2014/15, we exceeded our target for the Knowledge Partners Annual Fund, raising $3.8 million from our Knowledge Partners.

We have had a very successful year, fulfilling our public mandate and strengthening our service for new generations of viewers. Our achievements were made possible by the ongoing support of the Government of British Columbia and donors who generously support public broadcasting in British Columbia.

The *Knowledge Network Corporation 2014/15 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2013/14 - 2015/16 Service Plan.* I am accountable for those results as reported.

Nini Baird, C.M., Chair, Knowledge Network Corporation Board of Directors

Table of Contents

Board Chair's Message and Accountability Statement 3
Purpose of the Organization 5
Strategic Direction and Context 5
Strategic Direction 5
Strategic Context 6
Report on Performance 7
Goals, Strategies, Measures and Targets 8
Financial Report 16
Management Discussion and Analysis 16
Audited Financial Statements 19
Appendix A: Subsidiaries and Operating Segments 41
Active Subsidiaries 41
Appendix B: Additional Information 42
Corporate Governance 42
Organizational Overview 42

Purpose of the Organization

British Columbia's Knowledge Network is a viewer-supported public broadcaster. Our mission is to provide all British Columbians with a trusted alternative for the commercial-free exploration of life, connecting them to the world through television, web, and mobile platforms.

Knowledge Network delivers educational content to British Columbians through mandatory carriage on cable, direct-to-home satellite, IPTV services, and at Knowledge.ca, KnowledgeKids.ca and on mobile platforms. We develop, pre-license and commission filmmaker-driven documentaries for broadcast on Knowledge Network. We serve as a resource for independent producers across traditional and interactive media sectors for the creation of multi-platform content.

Enabling Legislation
Knowledge Network is a Crown corporation, created in 2008 under the Knowledge Network Corporation Act.

Subsidiaries
Knowledge-West Communications Corporation (KWCC) owns and operates BBC Kids, a Canadian children's subscription channel. BBC Kids is a commercial-free service reinforcing the values of both Knowledge Network and the BBC.

For further information on Knowledge Network Corporation please see Appendix B.

Strategic Direction and Context

Strategic Direction

The following are the specific directions to Knowledge Network as outlined in the Government's 2014/15 Letter of Expectations (GLE).

1. Make further progress toward the goals described in KNC's strategic plan which was submitted to the Ministry on July 27, 2012. Specific to these goals, KNC will:
    a. Expand digital platforms to serve audiences anywhere, anytime;
    b. Commission original British Columbian content in partnership with independent producers for multi-platform delivery;
    c. Engage audiences through personalized, interactive social experiences;
    d. Strengthen the Knowledge Network brand story and share it; and,
    e. Increase revenue through entrepreneurial and philanthropic initiatives.

2. Work to include public literacy television and internet programming focussing on the challenges facing the province, including seniors' demographic shifts; early learning

initiatives; Asian trade and cultural awareness; health care sustainability; First Nations communities, culture and issues; challenges facing the environment, including climate change; and economic issues.

3. Explore ways to expand opportunities for students through collaboration with public post-secondary institutions and Kindergarten – Grade 12 schools offering media, digital arts and other relevant programs.

4. Work with partners, including the Province, on programming opportunities that showcase and encourage dialogue on issues of public interest.

In addition, Government directed Knowledge Network to implement seven Taxpayer Accountability Principles actions, as listed in the Taxpayer Accountability Principles Addendum to 2014/15 Government Letter of Expectations.

Strategic Context

New developments in technology are driving demand for online content and leading to changes in consumption behaviour. At the same time, the majority of people are continuing to view content on linear television[1] platforms, which is expected to continue for years to come. Our challenge is to be responsive to new ways in which content is consumed and delivered while continuing to offer a quality linear television service. To this end, we acquire and commission programs that can be broadcast on traditional television platforms as well as across multiple digital platforms and devices.

With more viewers accessing content online, broadband costs are increasing. These costs will continue to escalate as we expand digital platforms to serve audiences anywhere, anytime. In 2014, the third generation Knowledge.ca was launched to support the growth in online streaming of content and to introduce new personalization features. We are researching and experimenting with new approaches to reaching audiences for both Knowledge Network and Knowledge Kids in the digital world.

New regulations were introduced by the Canadian Radio-television and Telecommunications Commission (CRTC) after Let's Talk TV, the formal review of the Canadian broadcasting system. Knowledge Network participated through written submissions and by presenting at the public hearings in Ottawa last September. The new policies present a number of opportunities, with potential impacts on Knowledge Network and BBC Kids, our Canadian children's subscription channel, to be determined as part of our broadcast license renewals in 2016.

[1] Linear television is a service where the viewer has to watch a scheduled program at the particular time it's offered, and on the particular channel it's presented on.

Report on Performance

To fulfill the directions set out in our 2014/15 GLE, we provided television and internet programming which focussed on challenges facing the province including:

- Seniors' demographic shifts
  - Continued to offer commercial-free programs for boomers and seniors underserved by other broadcasters in B.C.'s mainstream television market. Highlights of programs that appeal to these audiences include:
    - *Charlie Bird Explores the Ganges* - Irish journalist Charlie Bird explores one of the most enchanting rivers on the planet - the mighty and sacred River Ganges.
    - *Fisherman's Friends* – The story of a group of Cornish fishermen who became an unlikely singing sensation.

- Early learning initiatives
  - Continued to offer programming on Knowledge Kids and KnowledgeKids.ca supporting early learning development including:
    - *Lah-Lah's Adventures* – A Knowledge Network co-production introducing children to musical styles and instruments.
    - *Creature Quest* and *Skipping Stones* - new online games, produced by Burnaby-based company A.C.R.O.N.Y.M. Digital, featuring Knowledge Kids characters Luna, Chip and Inkie tackling counting and spelling in an animated B.C. setting.

- Asian trade and cultural awareness
  - Continued to acquire content from the Asia Pacific region for our East is East branded strand including:
    - A 27-part anthology series about the birth of modern china offering a sweeping view of the social, political, economic and cultural changes that have shaped today's superpower. Titles include: *Puyi: The Last Emperor of China*, *Mao: A Chinese Tale*, *China on Four Wheels*.

- Health care sustainability
  - Continued to acquire content for television and the web that educates British Columbians about heath care and healthy living including:
    - *Emergency Room: Life and Death at VGH* – Continued to broadcast Knowledge Network's multi-platform commissioned project examining the major health care issues facing British Columbians.

- *Gloria & Me* – B.C. filmmaker Dave McIlvride chronicles one woman's public fight for the legal right to die with dignity.

- First Nations communities culture and issues
  - Continued to showcase aboriginal programming from local, national and global perspectives. Highlights include:
    - *Cry Rock* – B.C. filmmaker Banchi Hanuse's quest to capture the true meaning and value of the remaining Nuxalk language speakers and storytellers in Bella Coola.
    - *Shooting Indians* – Profiles Iroquois photographer Jeffrey Thomas and the influences on his life which led him to his career.

- Challenges facing the environment, including climate change
  - Continued to educate British Columbians on challenges facing the environment, including climate change. Highlights include:
    - *The Tipping Points* – A six-part series examining the areas of the planet where climate systems may be nearing a tipping point.
    - *Just Eat It* – B.C. filmmakers Jen Rustemeyer and Grant Baldwin take a personal journey of discovery about the issue of unnecessary food waste.

- Economic issues
  - Continued to acquire and broadcast documentaries on economic issues from local, national and global perspectives including:
    - *China's Capitalist Revolution* - Deng Xiaoping overturned Maoism and taught the Chinese to love capitalism.
    - *Bankers* – The inside story of the 2008 financial crisis that ripped through the banking industry and took down a legend.

Knowledge Network partnered with The Cinematheque in Vancouver on the delivery of media literacy workshops for children and youth.

Knowledge Network has fully implemented and adopted the Taxpayer Accountability Principles and related actions including the Evaluation Plan and the revised Standards of Conduct. We continue to work with Government on the development and implementation of our Strategic Engagement Plan.

Goals, Strategies, Measures and Targets

Goal 1: Expand digital platforms to serve audiences anywhere, anytime.

Media consumption patterns and new technologies continue to evolve rapidly. Our viewers now expect access to high quality content, anywhere and anytime they choose. To maintain its relevance, Knowledge Network must ensure its presence on new platforms as they are adopted by consumers.

Strategies

1. Expand carriage of High Definition channel.
2. Develop mobile Apps for **Knowledge.ca** and **KnowledgeKids.ca**.

Performance Measures

Performance Measure		2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
TOTAL REACH (TV Audience)[2]	**Knowledge Primetime**	2,783,000	2,483,000	2,637,000	2,275,000	2,560,000	2,275,000	2,275,000
	Knowledge Kids	1,926,000	1,775,000	1,842,000	1,500,000	1,800,000	1,500,000	1,500,000
AVERAGE WEEKLY HOURS VIEWED[3]	**Knowledge Primetime**	1,424,000	1,210,870	1,454,410	1,200,000	1,450,250	1,200,000	1,200,000
	Knowledge Kids	455,000	307,740	468,546	375,000	510,862	375,000	375,000
WEB VISITS[4] **(SESSIONS)**	**Knowledge.ca**	483,861	903,650	1,044,827	950,000	1,213,420	1,000,000	1,050,000
	KnowledgeKids.ca	164,250	477,237	378,926	425,000	255,110	450,000	475,000
	TOTAL	**648,111**	**1,380,887**	**1,423,753**	**1,375,000**	**1,468,530**	**1,450,000**	**1,525,000**
WEB PAGE VIEWS[5]	**Knowledge.ca**	1,712,000	3,009,248	5,249,000	3,050,000	5,428,752	3,200,000	3,250,000
	KnowledgeKids.ca	403,177	929,951	732,203	750,000	575,799	800,000	850,000
	TOTAL	**2,115,177**	**3,939,199**	**5,981,203**	**3,800,000**	**6,004,551**	**4,000,000**	**4,100,000**
TOTAL HOURS ON SITE[6]	**Knowledge.ca**	112,916	252,617	373,061	312,000	457,955	325,000	330,000
	KnowledgeKids.ca	50,827	138,105	124,633	125,000	80,440	130,000	135,000
	TOTAL	**163,743**	**390,722**	**497,694**	**437,000**	**538,395**	**455,000**	**465,000**

Discussion

Audience growth on Knowledge Network's television platform exceeded expectations for both primetime and Knowledge Kids. A number of outstanding documentaries, dramas and children's programs were exclusive to Knowledge Network, contributing to the increase in total reach and average weekly hours viewed. The launch of our third generation Knowledge.ca website contributed to the significant increases in web visits, web page views and total hours on site.

[2] Unduplicated number of those viewing at least one minute of programming in the Vancouver Extended Market for Knowledge Primetime *(6pm to 12am)* and Knowledge Kids *(6am to 6pm, M-F; 6am to 12pm, Sat and Sun)* measured by Numeris Canada.
[3] Averaged over fiscal year, the total number of hours of programming viewed per week in the Vancouver Extended Market measured by Numeris Canada.
[4] Period of interaction between visitor's browser and a website, ending when browser is closed. Measured using Google Analytics.
[5] View of page on a site tracked by tracking code. There can be one or more page views per session. Measured using Google Analytics.
[6] Total aggregate time spent on Knowledge.ca and KnowledgeKids.ca by all visitors in hours.

The decrease in web usage for Knowledgekids.ca reflects the changing behaviour of children online. We are responding by developing a new app and website offering parents and children expanded video on demand, free of charge, in a safe and trusted online environment. The Knowledge Kids app is funded in part through the Convergent Digital Media Incentive (CDMI). Our new digital platforms for kids will launch in fall 2015.

This goal also supports the Taxpayer Accountability Principles by ensuring Knowledge Network delivers a cost-efficient, effective public service for British Columbians.

Goal 2: Commission original British Columbian content in partnership with independent producers for multi-platform delivery.

The independent production community continues to be a key partner in the creation of original content. Growth in Knowledge Network's access to external project funding together with independent producers' developing expertise in multi-platform storytelling will help ensure that we can share B.C. stories on the platforms consumers' desire.

Strategies

1. Invest in British Columbian stories for distribution on multiple platforms.
2. Develop the intellectual property of the Knowledge Kids' characters, Luna, Chip and Inkie, to create new content for children and families.

Performance Measures

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
BUDGET COMMITMENT TO ORIGINAL MULTI-PLATFORM CONTENT[7]	N/A	$850,000	$960,280	$900,000	$1,291,340	950,000	$1,000,000
B.C. INDEPENDENT PRODUCTION BUDGETS SUPPORTED BY KNOWLEDGE NETWORK[8]	N/A	$2,300,000	$12,000,000[9]	$2,400,000	3,231,450	2,500,000	$2,600,000

Discussion

Independent producers are key partners in the creation of our original content. Knowledge Network invested in 13 original multi-platform projects, supporting the development and production of content that inspires, informs and engages our audiences. Knowledge Network commissions included: *Nico Can Dance* in partnership with B.C.'s Atomic Cartoons, a live action mixed with animation series designed to get preschool kids active; *Space Suite* in partnership with B.C.'s Two Story Productions, a series of 10 shorts bridging classical music and science to demonstrate various celestial phenomena; and season two of *Emergency Room: Life and Death at VGH*, in partnership with B.C.'s Lark Productions, that will build on the success of season one showcasing the vital role that emergency health care plays in our lives.

The budgets for these documentaries are included in our performance measure for Total B.C. Production Budgets.

Goal 3: Engage audiences through personalized, interactive social experiences.

To be sustainable over the long term, Knowledge Network must enhance our ability to engage and attract audiences. By leveraging the most popularly adopted media platforms, we will strengthen our relationship with our 1.4 million weekly viewers by creating personalized experiences with our brand.

[7] Knowledge Network funding of independent productions of original content for television and other media platforms.
[8] This number represents all contributions to independent production budgets, including those committed by Knowledge Network in a fiscal year. Independent production budgets are comprised of funding from many sources, including domestic and international broadcasters, the Canada Media Fund, private media funds and B.C. and Canada tax credits.
[9] Reflects the budget for an extraordinary international, animated children's co-production supported by Knowledge Network. Projects of this scale are not the norm; targets for this measure will vary based on the non-cyclical nature of content production.

Strategies

1. Develop interactive initiatives to "pull" viewers into our websites and social networks so that they may engage and interact with our content, complementing the traditional broadcast experience of "pushing" content out.
2. Launch personalization features on our web and mobile platforms that are driven by user preferences that encourage participation, such as personal playlists and schedules, recommendations, polls, ratings and commenting.

Performance Measures

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
COMMUNITY EVENTS[10]	8	8	15	8	9	8	8
REGISTERED USERS ON KNOWLEDGE.CA[11]	N/A	N/A	N/A	BENCHMARK YEAR	2561	2800	3000
NUMBER OF GAMES PLAYED AT KNOWLEDGEKIDS.CA[12]	N/A	539,112	464,474	450,000	384,086	475,000	500,000

Discussion

Knowledge Network continued to visit B.C. communities to meet our Knowledge Partners, support local filmmakers and share the story of Knowledge Network's incredible success. Events included:

- Kamloops – Kamloops Canadian and International Film Festival featuring the Knowledge Network commissioned documentary *The Backward Class*
- Surrey – Canada Day Festival featuring Knowledge Kids
- Tsawwassen – President & CEO Presentation
- Vancouver – DOXA Documentary Film Festival featuring the Knowledge Network commissioned documentary *Emergency Room: Life and Death at VGH*
- Vancouver – Knowledge Network 2014 broadcast season launch event
- Vancouver - President & CEO Presentations (3)
- Vancouver – Vancouver International Film Festival featuring the Knowledge Network commissioned documentary *Just Eat It*

[10] Number of events hosted and sponsored by Knowledge Network in B.C. communities
[11] Number of registered users on Knowledge.ca
[12] Measured using Google Analytics, through user interactions with content tracked from a web page or screen load.

Personalization features on Knowledge.ca were introduced in 2014 and measured through the number of registered users. This is our benchmark year, giving us a base from which to grow our online community.

The current Knowledge Kids website cannot accommodate all our programming or additional games, contributing to the decrease in Number of Games Played. As noted earlier in this report, we are developing a more robust website and app that will significantly expand content for young children.

Goal 4: Strengthen the Knowledge Network brand story and share it.

Knowledge Network has grown from a single analogue television channel to a media network with multiple channels and web offerings. It's imperative that current and prospective audiences identify Knowledge Network as a broadcasting and communication service that keeps pace with change and is dedicated to serving audiences anywhere, anytime. Now more than ever, the power of online networks offers a cost effective way to tell our brand story to a broader audience.

Strategies

1. Brand Knowledge Network as British Columbia's multi-channel, multi-platform, commercial-free public broadcast service; and strengthen its appeal as an organization with charitable status.
2. Broaden awareness of Knowledge Kids by participating in events targeted at children and families.
3. Maintain and, where possible, improve the presence and visibility of Knowledge Network throughout the province with events in and outreach to B.C.'s diverse cultural communities.

Performance Measures

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
PUBLIC AWARENESS OF BRITISH COLUMBIA'S KNOWLEDGE NETWORK[13]	N/A	N/A	66%	66%	66%	66%	66%

[13] Measured each spring using Ipsos Reid's B.C. Reid Express Omnibus Surveys.

Discussion

Because audiences continue to fragment in the digital world, maintaining our percentage of brand awareness in British Columbia is an achievement. Competition for audiences is increasing with significant expansion of media choices. An annual omnibus survey was conducted in March 2015 and included the question, "*Have you heard of British Columbia's Knowledge Network?* 66% of British Columbians reported yes.

Goal 5: Increase revenue through entrepreneurial and philanthropic initiatives.

Knowledge Network will continue to improve its long term sustainability. We will build on the success of the BBC Kids channel acquisition by seeking out new opportunities to generate entrepreneurial revenue that can, in turn, support the public service. The new systems we now have in place will allow us to expand our philanthropic initiatives in ways that previously were not viable.

Strategies

Philanthropic

1. Convert a larger percentage of our 1.4 million weekly viewers to donors by employing new solicitation approaches enabled by our constituent relationship management database.

2. Retain current donors by strengthening relationships through personalized stewardship, increased interaction online and at face to face events, resulting in a higher renewal rate, increased gift size and more additional gifts.

3. Continue our Major Gift and Legacy Gift programs with individual donors.

4. Identify and develop opportunities for corporate financial support.

Entrepreneurial

1. Explore revenue generating opportunities for expanded carriage of the Knowledge Network signal in new markets.

2. Develop partnership opportunities that leverage our broadcasting strengths and align with our competencies.

Performance Measures

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
KNOWLEDGE PARTNER DONATIONS[14]	$3,086,705	$3,413,181	$3,490,069	$3,400,000	$3,889,552	$3,400,000	$3,400,000
OTHER BUDGETED REVENUES[15]	$150,000	$350,000	$550,000	$550,000	$550,000	$550,000	$550,000

Discussion

The Knowledge Partners Annual Fund exceeded expectations reaching a record high of $3,889,552. This is an increase of 11.5% over last year. New donors increased by 11%, and Recurring Gifts now account for nearly 28% of the total revenue. This is an especially high percentage of the donor base by philanthropic industry standards. We attribute this growth to strong viewership with our linear television service, offering a robust line-up of distinctive programming offered in a commercial-free environment. A contest to win a trip for two to Scotland in fall 2014 was very successful, contributing to the growth in donations and new donors.

Knowledge Network receives an annual service fee for the management and operation of BBC Kids, a national children's subscription channel. BBC Kids is a joint-venture between BBC Worldwide and Knowledge Network Corporation.

[14] Measured by tracking total Knowledge Partners donations received annually.
[15] From entrepreneurial initiatives including channel management fees

Financial Report

Management Discussion and Analysis

Increased charitable donations, media partnerships and revenues from BBC Kids contributed to Knowledge Network Corporation ending 2014/15 with $4.2 million in self-generated revenues. Costs to acquire programs for broadcast on television and digital platforms have been increasing. As a result, we are exploring new marketing opportunities to attract new audiences and donors to support our public service.

Donations and Sponsorships
Donations from individuals were $456k more than budget, and $374k more than last fiscal. This is due to our distinctive programming attracting significant viewership and a successful Scotland contest.

Other Revenue
Other revenue was ($253k) less than budget, as the actual results are consolidated with an elimination of inter-company transactions. Other revenue was $80k more than prior year due to higher realized gains on U.S. investments.

Amortization of Deferred Contributions
During the year, actual deferred contributions amortized were $267k more than estimated at the beginning of the year.

Salaries and Benefits
The budget variance of ($272k) is due to a preliminary budget estimate of $4,491k as of January 2014.
Salaries and benefits were ($121k) less than last fiscal as a result of severances paid out last fiscal only.

Amortization of Capital Assets and Broadcast Rights
Amortization expense was ($436k) less than budget. This is due to a preliminary budget estimate of $3,789 as of January 2014.
Amortization expense was $118k higher than last fiscal. This is due to program rights that started last year at half the amortization rate, but were at the full amortization rate this year.

Marketing and Development
These expenses were $240k more than budget. During the course of the year, new projects/activities not budgeted were approved:

Difference between budget estimate and approved budget	$160k
Fall Reel / Toolkit, Event	$38k
Testing for Fall Campaign	$17k
Database Cleanup	$10k
Filmmaker event in Nelson	$10k

These expenses were ($91k) less than last year. This variance is caused by:

Lower mailing costs	$24k
Lower communications costs	$22k
Postponed audience events	$21k
Lower magazine printing costs	$16k
Graphics produced in-house	$14k

Programming and Presentation

These expenses were $198k more than budget. During the course of the year, new projects/activities not budgeted for, were approved:

Difference between budget estimate and approved budget	$153k
Re-designed style guide, donor recognition	$18k
Branding initiatives	$14k
Mac Pro for graphics design	$13k

These expenses were $79k more than last year. This variance is caused by:

New branding elements	$28k
New music and illustrations	$28k
New BC footage	$14k

Broadcast Platforms and Corporate IT

These expenses were $141k more than budget. During the course of the year, new projects/activities not budget for, were approved:

Web 3.0 development	$60k
HD equipment lease payments	$75k

These expenses were ($148k) less than last fiscal because HD implementation costs were incurred in the prior year.

General

General expenses were $53k more than prior year.

Replacing aging computers	$33k
Investment expenses	$20k

Administration

Administration costs are detailed as:

Building lease and operating costs	$251k
Finance and Human Resources	$58k
President's Office and Board	$50k
Corporate training	$50k

Subsidiary Operations - Revenue

Revenue from subsidiary was $196k more than budget and $158k more than prior year, due to a new contract with a broadcast distribution undertaking.

Subsidiary Operations - Expenses

Subsidiary expenses were ($258k) less than budget, as the actual results are consolidated with an elimination of inter-company transactions.

Subsidiary expenses were $82k more than prior year, due to full year amortization costs from broadcast inventory.

Endowment Contributions

We cannot predict when endowment contributions will be received due to their confidential nature. Endowment contributions received were $949k more than budget and $811k more than prior year. In the last few months of the year alone, we received $454k from five major gifts.

Annual Report Financial Summary 2009-2017 (Consolidated)
(Reported in '000)

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	**2014/15 Budget**	**2014/15 Actual**	2014/15 Variance	2013/14 - 14/15 Variance	2015/16 Budget	2016/17 Budget	2017/18 Budget
Provincial Operating Grant	6,504	6,410	6,410	6,260	**6,260**	**6,260**	0	0	6,260	6,260	6,260
Donations and Sponsorships	2,902	3,160	3,439	3,531	**3,450**	**3,906**	456	374	3,525	3,525	3,525
Other Revenue	117	157	306	428	**761**	**508**	(253)	80	400	400	400
Amortization of Deferred Contributions	442	461	353	472	**244**	**511**	267	39	491	491	491
Total Revenues	**9,965**	**10,187**	**10,508**	**10,691**	**10,715**	**11,185**	**470**	**493**	**10,676**	**10,676**	**10,676**
Salaries and Benefits	3,936	4,032	4,176	4,340	**4,491**	**4,219**	(272)	(121)	4,625	4,625	4,625
Amortization of Capital Assets and Broadcast Rights	2,912	2,959	3,058	3,235	**3,789**	**3,353**	(436)	118	3,525	3,525	3,525
Marketing and Development	1,005	963	1,089	1,166	**835**	**1,075**	240	(91)	1,170	1,170	1,170
Programming and Presentation	596	582	584	569	**450**	**648**	198	79	550	550	550
Broadcast Platforms and Corporate IT	868	785	864	989	**700**	**841**	141	(148)	750	750	750
General	152	102	82	60	**100**	**113**	13	53	85	85	85
Administration	459	452	375	418	**350**	**413**	63	(6)	445	445	445
Total Expenses	**9,928**	**9,877**	**10,227**	**10,777**	**10,715**	**10,662**	**(53)**	**(115)**	**11,150**	**11,150**	**11,150**
Net Knowledge Network	**37**	**311**	**281**	**(86)**	**(0)**	**523**	**523**	**608**	**(474)**	**(474)**	**(474)**
Revenue from Subsidiary Operations	-	1,310	1,430	1,387	**1,350**	**1,546**	196	158	1,620	1,620	1,620
Expenses from Subsidiary Operations	157	756	836	960	**1,300**	**1,042**	(258)	82	1,050	1,050	1,050
Net Subsidiary Operations	**(157)**	**555**	**594**	**427**	**50**	**503**	**453**	**76**	**570**	**570**	**570**
Endowment Contributions	282	209	298	338	**200**	**1,149**	949	811	300	300	300
Consolidated Net Surplus (Deficit) from Operations	**162**	**1,074**	**1,172**	**680**	**250**	**2,175**	**1,925**	**1,495**	**396**	**396**	**396**
Total Liabilities	4,546	4,811	4,399	3,659	3,329	3,684	-	-	3,500	3,500	3,500
Accumulated Surplus from Operations	8,890	9,964	11,137	11,817	11,820	14,282			14,677	15,073	15,468

Audited Financial Statements

Management's Report

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the consolidated financial statements, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a quarterly basis and external audited consolidated financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Knowledge Network Corporation and meet when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Knowledge Network Corporation

Rudy Buttignol
President and Chief Executive Officer

Nini Baird
Chair of the Board

May 15, 2015

Consolidated Financial Statements of

KNOWLEDGE NETWORK CORPORATION

Year ended March 31, 2015

KPMG Enterprise™
Metrotower II 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca/enterprise

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Knowledge Network Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Knowledge Network Corporation, which comprise the Consolidated Statement of Financial Position as at March 31, 2015 and the Consolidated Statements of Operations, Remeasurement Gains and Losses, Changes in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Knowledge Network Corporation as at March 31, 2015, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with the basis of accounting as described in Note 2 to the financial statements.

Report on Other Legal and Regulatory Requirements

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Comparative Information

The financial statements of Knowledge Network Corporation as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 16, 2014.

KPMG LLP

Chartered Accountants

May 15, 2015

Burnaby, Canada

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash (note 3(a))	$ 2,900,292	$ 537,142
Accounts receivable (note 9)	677,672	1,173,133
Portfolio investments (note 3(b))	456,381	529,013
	4,034,345	2,239,288
Liabilities:		
Accounts payable and accruals	$ 1,004,377	$ 649,494
Income taxes payable	57,500	40,242
Deferred revenue, projects	298,508	282,775
Deferred contributions (note 4)	2,323,958	2,686,319
	3,684,343	3,658,830
Net financial assets (liabilities)	350,002	(1,419,542)
Non-financial assets:		
Broadcast rights (note 5)	$ 8,446,201	$ 8,953,490
Tangible capital assets (note 6)	2,588,627	2,760,120
Prepaid expenses	54,741	50,702
Endowment investments (note 3(b))	2,842,332	1,674,453
	13,931,901	13,438,765
Commitments (note 8)		
Accumulated surplus (note 13)	$ 14,281,903	$ 12,019,223
Accumulated surplus represented by:		
Accumulated surplus	$ 13,991,349	$ 11,816,576
Accumulated remeasurement gains and losses	290,554	202,647
	$ 14,281,903	$ 12,019,223

See accompanying notes to financial statements.

Approved on behalf of:

Nini Baird
Chair of the Board

Rudy Buttignol
President and Chief Executive Officer

1

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	Budget (note 14)	2015	2014
Revenue:			
Province of British Columbia operating grants	$ 6,259,506	$ 6,259,512	$ 6,259,506
Donations and sponsorships	3,450,000	3,905,723	3,531,289
Specialty TV channel subscription fees	1,372,042	1,545,652	1,387,422
Amortization of deferred contributions (note 6)	244,000	510,949	472,089
Endowment investment income	52,500	163,664	44,080
Other	275,000	344,753	384,176
	11,653,048	12,730,253	12,078,562
Expenses (note 10):			
Programming and presentation	1,887,378	1,924,646	1,850,204
Marketing and development	2,105,978	2,034,234	2,150,711
Broadcast platforms and corporate IT	1,894,119	2,059,267	2,252,754
General	532,439	438,999	445,699
Amortization of broadcast rights	2,997,902	3,027,128	2,848,648
Administration	1,175,691	1,177,455	1,228,671
Specialty TV channel	1,016,880	1,042,499	960,106
	11,610,386	11,704,228	11,736,793
Annual surplus from operations	42,662	1,026,025	341,769
Endowment contributions received	200,000	1,148,748	337,885
Annual surplus	242,662	2,174,773	679,654
Accumulated surplus, beginning of year	11,816,576	11,816,576	11,136,922
Accumulated surplus, end of year	$ 12,059,238	$ 13,991,349	$ 11,816,576

See accompanying notes to financial statements.

2

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Accumulated remeasurement gains, beginning of year	$ 202,647	$ 96,770
Remeasurement gains (losses) attributable to portfolio investments	175,655	(16,770)
Amounts reclassified to statement of operations:		
Realized loss (gain) on portfolio investment	(87,748)	122,647
Net remeasurement gains for the year	87,907	105,877
Accumulated remeasurement gains, end of year	$ 290,554	$ 202,647

See accompanying notes to financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

	Budget (note 14)	2015	2014
Annual surplus	$ 105,588	$ 2,174,773	$ 679,654
Net remeasurement gains for the year	-	87,907	105,877
	105,588	2,262,680	785,531
Acquisition of tangible capital asset	(90,000)	(220,814)	(511,618)
Amortization of tangible capital assets	489,166	392,307	393,295
	399,166	171,493	(118,323)
Acquisition of broadcast rights	(3,533,374)	(3,133,686)	(3,966,290)
Amortization of broadcast rights	3,601,710	3,640,975	3,324,113
	68,336	507,289	(642,177)
Acquisition of endowment investments	(200,000)	(1,167,879)	(337,885)
Acquisition of prepaid expenses	-	(54,741)	(50,702)
Use of prepaid expenses	-	50,702	77,832
	-	(4,039)	27,130
Increase (decrease) in net financial assets	373,090	1,769,544	(285,724)
Net financial debt, beginning of year	(1,419,542)	(1,419,542)	(1,133,818)
Net financial assets (debt), end of year	$ (1,046,452)	$ 350,002	$ (1,419,542)

See accompanying notes to financial statements.

4

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided (used by):		
Operations:		
Annual surplus	$ 2,174,773	$ 679,654
Items not involving cash:		
Loss (gain) on sale of investments	(87,748)	122,647
Amortization of deferred contributions	(510,949)	(472,089)
Amortization of capital assets	392,307	393,295
Amortization of broadcast rights	3,640,975	3,324,113
Changes in non-cash working capital:		
Accounts receivable	495,461	382,438
Prepaid expenses	(4,039)	27,129
Accounts payable and accruals	354,883	(313,278)
Income taxes receivable/payable	17,258	110,838
Deferred revenue, projects	15,733	(744,674)
	6,488,654	3,510,073
Financing:		
Contributions received for broadcast rights	148,588	749,449
Investing:		
Redemption (purchase) of portfolio investments	(919,592)	2,034
Capital:		
Purchase of tangible capital assets	(220,814)	(511,618)
Purchase of broadcast rights	(3,133,686)	(3,966,290)
	(3,354,500)	(4,477,908)
Increase (decrease) in cash	2,363,150	(216,352)
Cash, beginning of year	537,142	753,494
Cash, end of year	$ 2,900,292	$ 537,142

See accompanying notes to financial statements.

5

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015, with comparative information for 2014

1. Nature of operations:

Knowledge Network Corporation (the "Corporation") was incorporated as a Crown corporation in 2009 under the Knowledge Network Corporation Act, a statute of the Province of British Columbia. In years prior to 2009, the organization operated as part of the Open Learning Agency under the Open Learning Agency Act.

The Corporation is British Columbia's public broadcaster across multiple platforms including television, web and mobile. The principal source of funding is from the Ministry of Technology, Innovation and Citizens' Services.

The Corporation is a registered charity under the provision of the Income Tax Act of Canada and is not subject to income taxes. The Corporation's 50% owned subsidiary is subject to income taxes.

2. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the consolidated financial statements be prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board, except in regard to the accounting for broadcast rights and government transfers.

The Corporation has obtained approval to continue to capitalize and amortize broadcast rights as non-financial assets. Canadian public sector accounting standards do not recognize intangible assets in their accounting framework and require that such amounts be expensed as incurred.

The Budget Transparency and Accountability Act and its related regulations require the Corporation to account for government transfers for capital assets by deferring and amortizing them to income on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be reported in income.

The consolidated financial statements reflects the assets, liabilities, revenue, expenses, and accumulated surplus of the reporting entity, which includes the proportionate consolidation of the Corporation's 50% owned subsidiary, Knowledge-West Communications Corporation ("KWCC"). Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue recognition:

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

2. Significant accounting policies (continued):

(b) Revenue recognition (continued)

Subscription fees are recorded on an accrual basis as services are provided, except when the amount cannot be determined with a reasonable degree of certainty. Interest and other revenues are recognized when earned.

(c) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Equipment, furniture and fixtures are amortized over the estimated useful life on the declining balance basis at rates ranging from 10% to 30% per annum, computer software is amortized over the estimated useful life on the declining balance basis at 50%, and leasehold improvements are amortized on a straight-line basis over the term of the lease.

(d) Deferred contributions for capital assets and broadcast rights:

Funding received from the Province of British Columbia used for the acquisition of tangible capital assets is recorded as deferred contributions and is recognized as a recovery in the Statement of Operations equal to amortization charged on the assets purchased with the funding. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished.

(e) Broadcast rights:

Broadcast rights are recorded at cost and amortized over the period the broadcast is authorized for (generally 4 to 6 years).

(f) Financial instruments:

Derivatives and equity instruments quoted in an active market are measured at fair value. The Corporation measures other specific financial instruments at cost or amortized cost to correspond with how they are evaluated and managed.

Financial instruments measured at fair value are classified as level one, two or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Unrealized gains and losses from changes in the fair value of financial instruments are recorded in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

Transaction costs are expensed for financial instruments measured at fair value.

The Corporation has designated its financial instruments as follows:

i. Cash

Cash includes cash in the bank and is measured at fair value.

ii. Short-term investments

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the statement of remeasurement gains and losses.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

iii. Market securities:

Equity and debt investments quoted in an active market are reported at fair value. The Corporation has a diversified securities portfolio that includes short-term deposits, bonds and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.

iv. Other financial assets and financial liabilities:

Other assets and accounts payable and accruals are measured at amortized cost using the effective interest method.

(g) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those reported.

(h) Foreign currency translation:

Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(i) Income taxes:

KWCC uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

3. Cash and portfolio investments:

(a) Cash:

The Corporation's bank accounts are held at one Canadian chartered bank. Interest is earned at prime minus 1.95% and is paid on a monthly basis. As at March 31, 2015, the balance in the US dollar account was $76,368 (2014 - $100,175).

(b) Portfolio investments:

	2015	2014
Fixed income	$ 364,188	$ 343,901
Common shares	2,739,307	1,699,932
Mutual funds	19,105	7,146
Other	176,113	152,487
	$ 3,298,713	$ 2,203,466

Fixed income investments bear interest ranging from 1.95% - 8.00% (2014 - 2.63% - 8.00%) with maturities ranging from June 2017 to December 2045. Mutual funds consist of money market funds which are redeemable at any time.

4. Deferred contributions

(a) Capital assets:

Deferred contributions related to capital assets represents the unamortized amount of grants received for the purchase of capital assets.

	2015	2014
Balance, beginning of year	$ 1,693,096	$ 1,937,102
Less: amounts recognized as revenue	(212,300)	(244,006)
Balance, end of year	$ 1,480,796	$ 1,693,096

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

4. Deferred contributions (continued):

(b) Broadcast rights:

Deferred contributions related to broadcast rights represent the unamortized amount of funds received for the acquisition of programs. Amortization of deferred contributions is recorded as revenue.

	2015	2014
Balance, beginning of year	$ 993,223	$ 471,857
Contribution received	148,588	749,449
Amounts recognized as revenue	(298,649)	(228,083)
Balance, end of year	$ 843,162	$ 993,223
Deferred contributions, end of year	$ 2,323,958	$ 2,686,319

5. Broadcast rights:

	2015	2014
Cost:		
Opening balance	$ 15,577,937	$ 13,472,765
Additions	3,133,686	3,966,290
Expired rights	(1,593,929)	(1,861,118)
	17,117,694	15,577,937
Accumulated amortization:		
Opening balance	$ 6,624,447	$ 5,161,452
Amortization	3,640,975	3,324,113
Expired rights	(1,593,929)	(1,861,118)
	8,671,493	6,624,447
Net book value	$ 8,446,201	$ 8,953,490

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

6. Tangible capital assets:

	Furniture And fixtures	Computer equipment	Equipment	Software	Broadcast network equipment	leasehold improvements	2015
Cost:							
Opening balance	$ 880,545	$ 3,005,496	$ 2,396,439	$ 391,698	$ 13,563,594	$ 37,695	$ 20,275,467
Additions	-	46,261	-	27,538	147,015	-	220,814
Closing balance	880,545	3,051,757	2,396,439	419,236	13,710,609	37,695	20,496,281
Accumulated amortization:							
Opening balance	$ 772,161	$ 2,600,870	$ 2,350,156	$ 372,241	$ 11,393,400	$ 28,519	$ 17,515,347
Amortization	10,838	85,551	6,943	16,613	270,127	2,235	392,307
Closing balance	782,999	2,686,421	2,357,099	388,854	11,663,527	26,754	17,907,654
Net book value	$ 97,546	$ 365,336	$ 39,340	$ 30,382	$ 2,047,082	$ 8,941	$ 2,588,627

	Furniture And fixtures	Computer equipment	Equipment	Software	Broadcast network equipment	leasehold improvements	2014
Cost:							
Opening balance	$ 880,545	$ 3,002,452	$ 2,396,439	$ 365,755	$ 13,080,963	$ 37,695	$ 19,763,849
Additions	-	3,044	-	25,943	482,631	-	511,618
Closing balance	880,545	3,005,496	2,396,439	391,698	13,563,594	37,695	20,275,467
Accumulated amortization:							
Opening balance	$ 760,118	$ 2,500,094	$ 2,341,989	$ 365,755	$ 11,130,371	$ 23,725	$ 17,122,052
Amortization	12,043	100,776	8,167	6,486	263,029	2,794	393,295
Closing balance	772,161	2,600,870	2,350,156	372,241	11,393,400	26,519	17,515,347
Net book value	$ 108,384	$ 404,626	$ 46,283	$ 19,457	$ 2,170,194	$ 11,176	$ 2,760,120

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

7. Credit facility:

The Corporation has a revolving demand credit facility bearing interest at prime plus 0.50% per annum. The available facility is to a maximum of $500,000. As at March 31, 2015 and March 31, 2014 no amount was drawn on this credit facility.

8. Commitments:

Satellite transmission service

The Corporation acquires satellite transmission services at an annual cost of approximately $425,688 under agreements covering a four year period ending August 31, 2016.

Production costs

The Corporation acquires programs that require the commitment of funds. As at March 31, 2015, the Corporation is committed to pay $1,784,961 (2014: $2,190,249) for license fees over the period from April 2015 to March 2017.

9. Related party transactions:

The Corporation is related through common control to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amount.

In the normal course of operations, the Corporation pays rent to the British Columbia Technical Institute of Technology, a Provincially controlled post-secondary institution, of $1 per annum and its share of the building operating costs totaling $250,821 (2014: $248,462).

Included in accounts receivable is $400,000 (2014: $750,000) related to a loan due from KWCC, representing the 50% portion of the $800,000 loan balance (2014:$1,500,000) attributable to the unrelated partner. The loan is unsecured and bears interest at 5% per annum. Also included in accounts receivable is $49,825 (2014: $218,323) related to advances, fees and interest receivable from KWCC.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

10. Expense Presentation:

For reporting purposes, the Corporation's activities have been aggregated into operational categories. The schedule of consolidated expenses by object reports the revenues and expenses that are directly attributable to each operational category. The revenues and expenses that cannot be directly attributable or allocated on a reasonable basis to individual categories are reported in General category. The following describes the activities of each area:

Program management, presentation and promotions

This category includes salaries and benefits costs of staff responsible for the acquisition of broadcast rights, management and design of broadcast content including branding, captioning of programs, and management of broadcast traffic. This category also includes the cost of contracted editors hired to create promotional content.

Marketing and development

This category includes salaries and benefits costs of staff responsible for administering our Partners' donations and Knowledge Endowment Fund. This includes other operating costs related to the servicing of our donors such as the production and distribution of the program guide.

This category also includes salaries and benefits costs of staff responsible for maintaining government reporting requirements, reporting on audience and viewership results and implementing our marketing plans.

Broadcast platforms and corporate information technology

This category includes salaries and benefits costs of staff responsible for the maintenance and administration of the broadcast platforms and corporate information technology infrastructures. This category also includes operating costs related to the distribution of our broadcast signal to our audiences.

General

This category includes amortization of tangible capital assets and other administrative expenses.

Administration

This category includes salaries and benefits costs of staff responsible for overall administration, finance, and human resources. Operating costs also include the Corporation's share of leased facilities costs, and the costs of training and professional development of our staff.

Specialty TV channel

This category represents the operations of the BBC Kids tier 2 digital specialty channel via KWCC. BBC Kids is available to Canadian cable and Internet TV subscribers.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

11. Pensions:

The Corporation and its employees contribute to the College Pension Plan and Municipal Pension Plan ("The Plans"), jointly trusteed pension plans. The boards of trustees for these plans, representing plan members and employers, and are responsible for overseeing the management of the Plans, including investment of the assets and administration of benefits. The Plans are multi-employer contributory pension plans. Basic pension benefits provided are based on formulas. The College Pension Plan has about 12,900 active members from college senior administration and instructional staff and approximately 5,100 retired members. The Municipal Pension Plan has about 179,000 active members and approximately 71,000 retired members.

Active College Pension Plan members include approximately 14 contributors, and active Municipal Pension Plan members include approximately 33 contributors from the Corporation.

The most recent valuation for the College Pension Plan as at August 31, 2012 indicated an unfunded liability of $105 million for basic benefits. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016.

Employers participating in the Plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plans record accrued liabilities and accrued assets for the Plans in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plans.

The Corporation paid $333,694 (2014: $327,868) for employer contributions while employees contributed $303,620 (2014: $300,535) to the Plans in fiscal 2015.

12. Financial instruments risks:

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2015.

(a) Credit risk:

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, portfolio investments, and accounts receivable. The Corporation has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The Corporation has also retained an investment firm to invest surplus funds in accordance with its investment policy. The receivables are due from various entities and individuals, thus the Corporation is not subject to concentration of credit risk.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

12. Financial instruments risks (continued):

(b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to foreign exchange risk is limited to cash held in US dollar bank accounts as noted in Note 3(b).

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Portfolio investments bear some interest rate risk as the market price of fixed income securities may fluctuate based on changes in interest rates (Note 3(b)).

(d) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market (Note 3(b)). The Corporation is exposed to fair value risks on its portfolio investments in equity instruments.

(e) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

13. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2015	2014
Invested in tangible capital assets	$ 1,107,831	$ 1,067,024
Invested in broadcast rights	7,603,039	7,960,267
Endowment funds	2,952,648	1,674,453
Unrestricted amounts	2,618,385	1,317,479
Balance, end of year	$ 14,281,903	$ 12,019,223

14. Budget figures:

Budget figures are provided for comparison purposes and have been derived from the budget approved by the Board of Directors on February 24, 2014.

16

KNOWLEDGE NETWORK CORPORATION

Schedule of consolidated expenses by object

Year ended March 31, 2015, with comparative information for 2014

	Programming and presentation	Marketing and development	Broadcast platforms and Corporate IT	General	Amortization of broadband rights	Administration	Specialty TV channel	2015 consolidated	Budget consolidated	2014 consolidated
Salaries and benefits	$ 1,378,688	$ 981,434	$ 1,220,330	$ -	$ -	$ 768,142	$ 77,918	$ 4,389,364	$ 4,752,488	$ 4,439,286
Amortization of capital assets and broadcast rights	-	-	-	326,805	3,037,129	-	680,349	4,044,282	4,096,805	3,775,102
Purchased services	524,119	539,959	193,509	6,495	-	41,544	101,180	1,376,486	1,302,380	1,015,431
Supplies, shipping, minor software, maintenance	73,252	438,027	680,006	52,199	-	11,420	198,027	1,338,485	1,149,712	1,247,914
Travel, miscellaneous, other	48,691	102,965	17,882	34,999	-	108,823	12,770	341,910	422,674	319,102
Facilities operating costs, rental	-	-	-	-	-	260,801	-	260,801	364,689	364,462
Income taxes	-	-	-	-	-	-	93,852	93,852	19,284	91,079
	$ 1,924,648	$ 2,062,384	$ 2,090,286	$ 3,498,128	$ 3,037,129	$ 1,177,486	$ 1,062,496	$ 11,778,229	$ 11,810,386	$ 11,778,785

Appendix A: Subsidiaries and Operating Segments

Active Subsidiaries

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981. KWCC owns and operates BBC Kids, a Canadian children's subscription channel. The CRTC approved KWCC's acquisition of assets for BBC Kids in April 2011. BBC Kids is a commercial-free service reinforcing the values of both Knowledge Network Corporation and the BBC. KWCC financial results are proportionately consolidated under Knowledge Network Corporation's audited financial statements.

Summary Financial Outlook

	2013/14 Actual	2014/15 Budget	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Budget
Revenue from Subsidiary Operations	1,387	1,350	1,546	1,620	1,620	1,620
Expenses from Subsidiary Operations	960	1,300	1,042	1,050	1,050	1,050
Net Subsidiary Operations	**427**	**50**	**503**	**570**	**570**	**570**

Subsidiary revenues were $196k more than budget and $158k more than prior year, due to a new contract with a broadcast distribution company. Subsidiary expenses were ($258k) less than budget, as the actual results are consolidated with an elimination of inter-company transactions. Subsidiary expenses were $82k more than prior year, due to full year amortization costs from broadcast inventory.

For further information about KWCC please visit https://www.knowledge.ca/about/knowledge-west-communications-corporation

For further information about BBC Kids please visit http://bbckids.ca/

Appendix B: Additional Information

Corporate Governance

Knowledge Network is governed by a Board of Directors that is responsible to the Minister of Technology, Innovation and Citizens' Services. The Ministry is responsible for policy direction while the Board is responsible for operational policy and setting the strategic direction of the organization. The President and CEO is responsible for the day-to-day leadership and management of Knowledge Network. Please click here for more information on Knowledge Network's corporate governance.

Organizational Overview

Please click here to learn more about Knowledge Network Corporation.